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Message Text

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ACTION PM-03

INFO OCT-01 SS-14 ISO-00 EA-06 CIAE-00 INR-05 L-03
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TO SECSTATE WASHDC 6967
INFO SECDEF WASHDC
CINCPAC HONOLULU HI
COMUSJAPAN YOKOTA AB JA

S E C R E T SECTION 01 OF 02 TOKYO 06215

LIMDIS

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS
TAGS: MARR, EMIN, JA
SUBJECT: FUKUDA SUMMIT: PLUG FOR PROCUREMENT OF U.S. MILITARY EQUIPMENT

1. SUMMARY: THIS MESSAGE ADDRESSES A SUBJECT THAT, TO BEST OF OUR KNOWLEDGE, IS NOT ON OUR AGENDA FOR FUKUDA SUMMIT AND PROBABLY IS NOT ON GOJ AGENDA. IT IS A COMPLICATED ISSUE WITH MANY SENSITIVE FACETS, BUT EMBASSY BELIEVES TIME IS RIPE IN TERMS OF THRUST OF OUR MUTUAL ECONOMIC POLICIES AS WELL AS POLITICAL CLIMATE IN JAPAN FOR SUPPORTIVE EFFORTS TO HAVE GOJ INCREASE DEFENSE PROCUREMENT FROM U.S.

2. THE ECONOMIC ARGUMENT FOR SUCH A MOVE POSES FEW PROBLEMS. GOJ IS SEARCHING FOR WAYS TO EFFECT SHORT-TERM SHIFTS IN TRADE/PAYMENTS BALANCE AND, IN LONGER RUN, TO DEMONSTRATE ITS COMMITMENT TO EXPAND IMPORTS
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OF MANUFACTURES. IN THIS REGARD, GOJ HAS UNDERTAKEN TO SHOW THAT IT WILL NOT INTERVENE TO PROTECT DOMESTIC PRODUCTION OF ITEMS THAT COULD BE OBTAINED MORE CHEAPLY ABROAD.

3. STRONG MILITARY ARGUMENTS CAN ALSO BE MADE FOR PROCUREMENT OF U.S. EQUIPMENT. PARTLY BECAUSE U.S. IS

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BUILDING ON HIGHLY ADVANCED TECHNOLOGICAL BASE AND PARTLY BECAUSE IT IS ABLE TO PROFIT FROM ECONOMIES OF SCALE, MANY U.S. ADVANCED SYSTEMS CAN BE PRODUCED FAR MORE CHEAPLY IN U.S. THAN IN JAPAN, WHILE AVOIDING TREMENDOUS DESIGN AND DEVELOPMENT COSTS ATTENDANT UPON ANY INNOVATIVE SYSTEM. JAPANESE MILITARY LEADERSHIP, ANXIOUS TO GET THE MOST OUT OF JDA LIMITED BUDGET, UNDER-STANDS THESE ARGUMENTS WELL. EQUALLY IMPORTANT, THEY GIVE MUCH WEIGHT TO COMPATIBILITY AND INTEROPERABILITY OF U.S. AND JAPANESE EQUIPMENT IN EVENT U.S. IS CALLED UPON TO HONOR ITS SECURITY TREATY COMMITMENTS.

4. SEPTEL SETS FORTH NUMBER OF KEY AREAS WHERE GOJ IS CURRENTLY CONSIDERING GOING ITS OWN WAY IN WHOLE OR IN PART, BUT WHERE IT WOULD MAKE MUCH BETTER ECONOMIC AND MILITARY SENSE TO PROCURE OR LICENSE-PRODUCE U.S. SYSTEMS. MOREOVER, PRODUCTION OF INCOMPATIBLE SYSTEMS RUNS COUNTER TO CLOSER U.S.-JAPAN MILITARY COOPERATION WE HAVE BEEN STRIVING TO ACHIEVE THROUGH, FOR EXAMPLE, SUBCOMMITTEE ON DEFENSE COOPERATION.

5. TO BE SURE, UP TO NOW JAPANESE HAVE RELIED ON U.S. FOR A GOOD DEAL OF THEIR SOPHISTICATED EQUIPMENT, I.E., HERCULES, HAWK, F-4 AND F-15/P3C PROGRAMS, WHICH ARE GETTING UNDER WAY THIS YEAR, IN ADDITION TO E2C PROGRAM WHICH WILL FOLLOW NEXT YEAR. APART FROM NATIONAL TECHNO-

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LOGICAL OR AUTARKIC PRIDE, THERE ARE TWO MAJOR REASONS WHY G0J HAS NOT CHOSEN TO FOLLOW U.S. PROCUREMENT ROUTE IN ALL AREAS WHERE IT WOULD SEEM TO BE IN THEIR MILITARY INTERST. IN FIRST INSTANCE, JAPANESE HAVE SOUGHT TO PRESERVE AND EXPAND ON INDUSTRIAL BASE IN KEY AREAS SUCH AS VEHICULAR AND AIRCRAFT INDUSTRIES, WHILE PRE-SERVING JOBS THAT GO WITH THEM. APART FROM ARGUMENTATION PARA 2 ABOVE, IT CAN BE POINTED OUT THAT UNDER LICENSING ARRANGEMENTS, CURRENT AND PAST PATTERN HAS BEEN TO PRO-CEED FROM PROTOTYPE PROCUREMENT AND MINIMAL CO-PRODUCTION TO JAPANESE PRODUCTION OF OVERWHELMING PERCENTAGE OF SYSTEMS IN OUT YEARS. (AVERAGE RETURN TO U.S., WHILE NOT SET, HAS BEEN CONSIDERABLE, I.E., ABOUT 50 PERCENT OF TOTAL COST OF AN EQUIVALENT U.S. PROGRAM, WHILE, BY AND LARGE, THOSE JAPANESE INDUSTRIES INVOLVED HAVE BEEN ABLE TO KEEP UP WITH THE JONESES.) SECOND, RELATED OBSTACLE HAS BEEN INABILITY OF JAPANESE TO HAVE ACCESS TO SOPHISTICATED MILITARY TECHNOLOGY ON SAME BASIS AS OUR OTHER PRINCIPAL ALLIES. WITH RECENT NDPC DECISIONS, HOWEVER, THIS DIFFICULTY SHOULD NO LONGER STAND IN WAY AND IT MAY BE TIME TO TEST THE WATERS.

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6. THE TREATY OF MUTUAL COOPERATION AND SECURITY CONTAINS IN ITS PREAMBLE A STATEMENT WHICH AFFIRMS U.S.-JAPANESE DESIRE "TO ENCOURAGE CLOSER ECONOMIC COOPERATION . . . AND TO PROMOTE CONDITIONS OF ECONOMIC STABILITY AND WELL-BEING IN THEIR COUNTRIES." ADDITIONALLY, ANNEX C OF THE MUTUAL DEFENSE ASSISTANCE AGREEMENT BETWEEN JAPAN AND THE UNITED STATES OF AMERICA STATES THAT:

"THE TWO GOVERNMENTS RECOGNIZE THE BENEFITS TO BE DERIVED FROM THE PRINCIPLE OF STANDARDIZATION, AND AGREE TO THE ADVISABILITY OF TAKING FEASIBLE JOINT MEASURES

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TO ACHIEVE THAT DEGREE OF STANDARDIZATION, WITH RESPECT TO SPECIFICATIONS AND QUALITY, WHICH WILL PROMOTE THE EFFECTIVE UTILIZATION AND MAINTENANCE OF ANY ASSISTANCE FURNISHED UNDER THE PRESENT AGREEMENT."

7. UNLESS WASHINGTON FEELS OTHERWISE, WE WOULD NOT RECOMMEND THAT THE PRESIDENT HIMSELF ADDRESS PROCUREMENT. WE SUGGEST, HOWEVER, THAT THE SECRETARY DURING DISCUSSIONS ON TRADE AND BALANCE OF PAYMENT PROBLEMS MENTION TO FUKUDA OR SONODA OUR WILLINGNESS TO BE MORE FORTHCOMING ON DEFENSE TECHNOLOGY AND OUR VIEW OF THE NEED FOR GREATER U.S. DEFENSE PROCUREMENT. THE DISCUSSION COULD BE COUCHED IN TERMS OF A FRUITFUL AREA FOR COOPERATION AND

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COLLABORATIVE SUPPORT OF THE TREATY OF MUTUAL COOPERATION
AND SECURITY AND THE MUTUAL DEFENSE ASSISTANCE AGREEMENT.

8. IN SUCH A DISCUSSION, WHILE NDPC DECISIONS ARE NOT
NORMALLY COMMUNICATED TO FOREIGN GOVERNMENTS, IT MIGHT
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BE APPROPRIATE TO ACKNOWLEDGE OUR AWARENESS THAT JAPAN
IN THE PAST HAS BEEN CONCERNED ABOUT ITS ABILITY TO
OBTAIN LATEST MILITARY TECHNOLOGY BY INDICATING THAT WE
DO NOT BELIEVE THIS WILL BE A MAJOR PROBLEM IN THE FUTURE.
IT MIGHT BE PRUDENT TO POINT OUT THAT WE RECOGNIZE THE
DESIRABILITY OF CONTINUED EMPLOYMENT OF SKILLED WORKERS
IN JAPAN'S DEFENSE INDUSTRY AND WILL USE OUR GOOD OFFICES,
WHERE IT IS NOT FEASIBLE FOR THEM TO BUY DIRECTLY FROM
THE UNITED STATES, TO ENCOURAGE OUR DEFENSE MANU-
FACTURERS TO BE FORTHCOMING WITH LICENSING ARRANGEMENTS.

9. SEVERAL POSSIBLE WAYS OF GOING SUGGEST THEMSELVES:

(1) A FAIRLY COMPREHENSIVE APPROACH DRAWING
HEAVILY ON THE EXAMPLES CONTAINED IN SEPTEL;

(2) A MORE MODEST DISCUSSION INDICATING OUR INTEN-
TION TO CARRY ON DETAILED DISCUSSIONS AT THE WORKING LEVEL;

(3) AT MINIMUM, AN EXPRESSION OF APPRECIATION FOR
THE RECENT MAJOR JAPAN DEFENSE PROCUREMENT DECISIONS
FROM THE U.S., COUPLED WITH AN XPRESSION OF OUR DESIRE
FOR BOTH ECONOMIC AND MILITARY REASONS THAT THE GOJ BE
AS FORTHCOMING AS POSSIBLE IN PROCURING FUTUR DEFENSE
EQUIPMENT FROM U.S. SOURCES OR THROUGH LICENSED PRODUCTION
WITH SUBSTANTIAL CURRENCY RETURN.

IT IS REALIZED THAT PERHAPS WITHOUT ADEQUATE GROUNDWORK
OR FOREWARNING, THE FIRST APPROACH MIGHT WELL PRECIPITATE
SOME RESENTMENT AND THEREFORE COULD BE COUNTERPRODUCTIVE.
WE WOULD, HOWEVER, URGE SOME TYPE OF INITIATIVE IN LINE
WITH ONE OF THE OTHER ALTERNATIVES. MANSFIELD

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